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<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Work First Casualty Company
<b>TOI/Sub-TOI:</b>	16.0 Workers Compensation/16.0004 Standard WC		
<b>Product Name:</b>	DC New Lg Ded		
<b>Project Name/Number:</b>	/		

## Filing at a Glance

Company:	Work First Casualty Company
Product Name:	DC New Lg Ded
State:	District of Columbia
TOI:	16.0 Workers Compensation
Sub-TOI:	16.0004 Standard WC
Filing Type:	Rate/Rule
Date Submitted:	01/09/2020
SERFF Tr Num:	WKFC-132216471
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	DC NEW LG DED
Effective Date	03/01/2020
Requested (New):	
Effective Date	03/01/2020
Requested (Renewal):	
Author(s):	Stephanie Korab
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

**State:** District of Columbia **Filing Company:** Work First Casualty Company  
**TOI/Sub-TOI:** 16.0 Workers Compensation/16.0004 Standard WC  
**Product Name:** DC New Lg Ded  
**Project Name/Number:** /

## General Information

Project Name: Status of Filing in Domicile: Not Filed  
Project Number: Domicile Status Comments:  
Reference Organization: Reference Number:  
Reference Title: Advisory Org. Circular:  
Filing Status Changed: 01/09/2020  
State Status Changed: Deemer Date:  
Created By: Stephanie Korab Submitted By: Stephanie Korab  
Corresponding Filing Tracking Number:

### Filing Description:

Work First Casualty Company is filing to modify its large deductible program with deductibles at \$100,000 or higher. This change will better align the methodology with their fronting company, Benchmark Insurance Company ("BIC"), when the policies are written directly on Work First's paper. We are requesting a 3/1/2020 effective date for this program.

## Company and Contact

### Filing Contact Information

Stephanie Korab, VP-Compliance Officer skorab@workfirstcasualty.com  
and Assistant Secretary  
3521 Silverside Road 302-477-1710 [Phone]  
Quillen Building, Suite 2E 302-477-1753 [FAX]  
Wilmington, DE 19810

### Filing Company Information

Work First Casualty Company	CoCode: 31232	State of Domicile: Delaware
501 Silverside Road	Group Code:	Company Type: P & C
Suite 39	Group Name:	State ID Number:
Wilmington, DE 19809	FEIN Number: 90-0247256	
(302) 477-1710 ext.		
4771710[Phone]		

## Filing Fees

Fee Required? No  
Retaliatory? No  
Fee Explanation:

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Work First Casualty Company
<b>TOI/Sub-TOI:</b>	16.0 Workers Compensation/16.0004 Standard WC		
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## Correspondence Summary

### Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Follow Up	Note To Reviewer	Stephanie Korab	01/31/2020	01/31/2020

## Note To Reviewer

Thank you, Stephanie

<b>SERFF Tracking #:</b>	WKFC-132216471	<b>State Tracking #:</b>		<b>Company Tracking #:</b>	DC NEW LG DED
<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Work First Casualty Company		
<b>TOI/Sub-TOI:</b>	16.0 Workers Compensation/16.0004 Standard WC				
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## Rate Information

Rate data does NOT apply to filing.

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## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Underwriting Rules and Rating	Rule 1	New		DC Large Deductible Rules and Rating.pdf
2		RR1, RR2, RR3		New		DC RR .pdf

# **Work First Casualty Company**

## **Underwriting Rules and Rating**

### **LOSS REIMBURSEMENT LARGE DEDUCTIBLE PROGRAM**

This program is outlined below giving the Underwriting Rules, Rating (Premium Computation) and Forms to be utilized.

### **UNDERWRITING RULES**

#### **Eligibility**

To qualify for this program, a potential insured must:

- a. Develop an estimated annual interstate premium of \$100,000 or greater.
- b. Accept a minimum deductible of \$100,000 each accident/each employee.
- c. In addition to meeting Underwriting Criteria, have the financial ability to provide required collateral for the program.

#### **Deductible**

This is a loss reimbursement program, hereinafter referred to as "deductible". Work First Casualty Company (Work First) provides all claimants with 1<sup>st</sup> dollar benefits and damages the insured is legally obligated to pay. The insured reimburses Work First for these benefits and damages and "Allocated Loss Adjustment Expense" up to the level of the each accident/each employee deductible, as applicable, shown in Paragraphs 2(a) and 2(b) of WC 99 06 03 Loss Reimbursement Large Deductible Endorsement. The insured chooses a single deductible amount for Paragraphs 2(a) and 2(b) per policy. The choice must be made prior to the inception of the policy.

The "deductible aggregate" shown in Paragraph 2(c) of WC 99 06 03 Loss Reimbursement Large Deductible Endorsement, if any, is the maximum amount of deductible payments reimbursed by you to us on a combined basis for indemnity and medical benefits, damages, and "Allocated Loss Adjustment Expenses" because of bodily injury by accident and bodily injury by disease for each policy period.

"Allocated Loss Adjustment Expense" will be reimbursed in addition to the each accident/each employee deductible. "Allocated Loss Adjustment Expense" shall mean claim adjustment expense directly allocated by us to a particular claim. Such expense shall include:

# **Work First Casualty Company**

## **Underwriting Rules and Rating**

- a. Fees of attorneys or other authorized representatives where permitted for legal services, whether by outside vendors or staff representatives.
- b. Court, Alternate Dispute Resolution, and other specific items of expense such as:
  - (i) Medical examinations of a claimant to determine the extent of the carrier's liability, degree of permanency, or length of disability
  - (ii) Expert medical or other testimony
  - (iii) Autopsy
  - (iv) Witnesses and summonses
  - (v) Copies of documents such as birth and death certificates, and medical treatment records
  - (vi) Arbitration fees
  - (vii) Surveillance
  - (viii) Appeal bond costs and appeal filing fees
- c. Medical cost containment expenses incurred with respect to a particular claim, whether by an outside vendor or done internally by a staff representative for the purpose of controlling losses, to ensure that only reasonable and necessary costs of services are paid. The expenses include:
  - (i) Bill-auditing expenses for any medical or vocational services rendered, including hospital bills (inpatient or outpatient), nursing home bills, physician bills, chiropractic bills, medical equipment charges, pharmacy charges, physical therapy bills, and medical or vocational rehabilitation vendor bills
  - (ii) Hospital and other treatment utilization reviews, including precertification/preadmission, and concurrent or retrospective reviews
  - (iii) Preferred provider network/organization expenses
  - (iv) Medical fee review panel expenses
- d. Expenses that are not defined as losses and are directly related to and directly allocated to the handling of a particular claim for services that are required to be performed by statute or regulation.

The deductible will not apply for benefits and damages payable for acts of terrorism as defined by the TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT.



# Work First Casualty Company

## Underwriting Rules and Rating

### **Security/Collateral**

**Financial Underwriting:** We, as the insurer and underwriter will perform financial strength underwriting to verify that each insured has the financial ability to pay all required reimbursements.

**Security/Collateral:** Security/Collateral will be required to be provided by the insured up to the actuarially derived loss pick\*. Security will be provided to us in the form of cash or Letter of Credit (LOC). Any deviations of the type or method of security/collateral must be approved by Work First Senior Management to ensure each risk is adequately collateralized.

Failure of an insured to provide or maintain any such required security/collateral shall be treated as failure to pay premium when due.

\* Loss Pick is our best estimate of ultimate loss and allocated loss adjustment expense for a given period for a given account. Historical data – including payroll, paid loss, incurred loss, class of business, etc. is inputted into a software program. This historical data is then developed, trended, and on-leveled – bringing the historical data to current day values and benefit levels. Experienced employees will interpret the output and make estimates of loss going forward. As this loss pick is our determination of our ultimate loss and allocated loss adjustment expense, this will be the basis for establishing the security/collateral needed.

### **Claims Payments**

As the insurer, we are obligated to pay and defend claims as they are due under the Workers' Compensation policy. We will be reimbursed for any deductible amounts due as a result of such payment and/or defense of claims. The failure of an insured to properly reimburse shall be treated as a failure to pay premium when due. We remain obligated to cover these amounts regardless of whether or not we receive reimbursement from the insured.

In the event recovery is made from a third party through subrogation, the amount recovered (after deducting from such recovery the expenses incurred in effecting such recovery) will first be applied to any payments made by us in excess of the each accident and each employee deductible amounts. The remainder of the recovery, if any, will be credited against the amounts paid or reimbursed by the insured under the deductible chosen, and the payments and reimbursements the insured has made toward exhausting the deductibles will be reduced by such credit.

# **Work First Casualty Company**

## **Underwriting Rules and Rating**

### **Loss Fund Deposits**

A loss fund deposit will be established for every insured to facilitate loss reimbursement. The method of funding the loss fund will be agreed upon between the insured and the insurer. At a minimum, the amount maintained in the loss fund deposit will allow for loss reimbursements during a period of cancellation.

### **Loss Reporting**

- Losses are reported on unit statistical cards based on gross loss basis.
- Unit statistical reports to NCCI will be completed and filed such that an experience modification factor can be calculated for the insured, and as needed, for individual clients of the insured.
- We will comply with all NCCI calls.

### **Forms**

In addition to the standard NCCI Workers' Compensation Policy and related applicable state-specific forms and endorsements, this program utilizes:

- Loss Reimbursement Large Deductible Endorsement - WC 99 06 03

# Work First Casualty Company

## Underwriting Rules and Rating

### Premium Computation

Deductible Premium = [(Expected Excess Loss + Aggregate Limit Charge + Fixed Expenses)/(1 – Variable Expense Ratio)] + TRIPRA

$$DP = [(EEL + ALC + FEC) / (1 - VER)] + TRIPRA$$

#### **A Standard Premium**

1† Standard Premium

#### **B Deductible Amount**

2† Selected Each Accident/Each Employee Deductible Amount

#### **C Expected Excess Loss and Allocated Expense (EEL)**

3‡ Expected Loss and Allocated Expense Ratio

4† Account Expected Loss and Allocated Expense Ratio

5 Expected Losses and Allocated Expenses (A1 x C4)

6‡ Excess Loss and Allocated Expense Factor (for Deductible shown in B2)

7† Loss Elimination Ratio (C6 / C3)

8 Expected Loss and Allocated Expense Above the Deductible (C5 x C7)

#### **D† Aggregate Limit Charge (ALC)**

9† Deductible Aggregate

10 Expected Deductible Losses and Allocated Expenses (C5 – C8)

11‡ State Hazard Group Differential

12† Loss Group Adjustment Factor  $([1 + 0.8 \times C7] / [1 - C7])$

13 Adjusted Expected Losses and Allocated Expenses For Expected Loss Group Number (C5 x D11 x D12)

14# Expected Loss Group Number

15 Entry Ratio into Table of Insurance Charges (D9 / D10)

16# Insurance Charge resulting from D14 and D15

17 Aggregate Limit Charge (D10 x D16)

#### **E† Fixed Expense Charge (FEC)**

18†‡ Fixed Expense Ratio

19†‡ Nonreimbursed Loss Adjustment Expense Ratio

20†‡ Fixed Taxes and Assessments Ratio

21 Fixed Expense Charge  $(E18 \times A1 + [E19 + E20] \times C5)$

# Work First Casualty Company

## Underwriting Rules and Rating

### **F†** Variable Expense Ratio (VER)

**22††** Company Variable Expense Ratio

**23††** Variable Taxes and Assessments Ratio

**24** Variable Expense Ratio (F22 + F23)

### **G** TRIPRA Premium

**25†** (TRIPRA Rate x Payroll / 100)

### **H** Deductible Premium

**26†** Deductible Premium  $[(C8 + D17 + E21) / [1 - F24] + G25]$

## **Endnotes for Large Deductible Premium Computation**

† From Work First Retrospective Rating Plan Manual, State Special Rating Values.

# From the Appendices of the NCCI Retrospective Rating Plan Manual.

**For items marked with “†”:**

**A: Standard Premium:** Standard Premium used in this plan will be as shown in the Workers Compensation Premium Algorithm in the NCCI Basic Manual.

**B: Deductible Amount:** Shown in Paragraphs 2(a) and 2(b) of WC 99 06 03 Loss Reimbursement Large Deductible Endorsement.

**C: Expected Excess Loss and Allocated Expense:** A component of the deductible premium to cover the loss costs in excess of the deductible limit.

**C4: Account Expected Loss and Allocated Expense Ratio:** Based on the Expected Loss and Allocated Expense Ratio (C3). Underwriter may increase or decrease C4 relative to C3 to reflect the Company's full coverage (ultimate gross) loss pick for an individual risk.

**C7: Loss Elimination Ratio:** Underwriter may increase or decrease to reflect the Company's excess coverage loss pick.

**D: Aggregate Limit Charge:** Component of the deductible premium to cover the amount of losses and allocated expenses expected to exceed the established aggregate deductible.

**D9: Deductible Aggregate:** Shown in Paragraph 2(c) of WC 99 06 03 Loss Reimbursement Large Deductible Endorsement. The aggregate deductible cannot be less than the standard premium.

# Work First Casualty Company

## Underwriting Rules and Rating

**D12: Loss Group Adjustment Factor:** Formula is known as the ICRL procedure.

**E: Fixed Expenses Charge:** The component of the deductible premium to cover expenses that do not vary with the final premium.

**E18: Fixed Expense Ratio:** Page RR-3, (a). Expressed as a percent of Standard Premium and includes operating expenses that vary by full coverage premium size and taxes and assessments based on standard premium, including assigned risk burdens which do not allow reductions for deductible credits. Underwriter may adjust to reflect policyholder characteristics based on level of statistical service provided and/or billing arrangements and/or security requirements and/or economies or diseconomies of scale associated with the insured. Underwriter may also adjust to reflect state characteristics based on company overhead and other operating expenses in the state. The factor used to adjust fixed expenses will be between 0.67 and 1.50.

**E19: Nonreimbursed Loss Adjustment Expense Ratio:** Page RR-3, (b). Expressed as a percentage of Expected Losses and Allocated Expenses. Represents the unallocated loss adjustment expense. The underwriter may adjust +/- 0.02 depending upon the claim servicing needs, frequency of meetings and their willingness to control loss.

**E20: Fixed Taxes and Assessments Ratio:** Page RR-3, (c). Expressed as a percent of Expected Losses and Allocated Expenses. Includes loss based assessments.

**F: Variable Expense Ratio:** The components of deductible premium which are expected to vary directly with premium.

**F22: Company Variable Expense Ratio:** Page RR-3, (d). Expressed as a percent of premium. The underwriter may adjust variable expenses to reflect a reduction in acquisition costs. The factor used to adjust variable expenses will be between 0.67 and 1.50.

**F23: Variable Taxes and Assessments Ratio:** Page RR-3, (e). Includes any taxes and assessments based on written premium.

**G: TRIPRA Premium**

**G25: TRIPRA Rate:** Obtained from the currently approved Miscellaneous Values page. Use the NCCI published advisory rate, where applicable. Otherwise, use the Work First published rate.

**H: Deductible Premium:** Premium charged to policyholder for workers' compensation coverage under the large deductible program.

1. Hazard Group Differentials

A	B	C	D	E	F	G
1.36	1.08	0.98	0.83	0.68	0.57	0.47

2. Expected Loss Ratio

0.570

Expected Loss and  
Allocated Expense Ratio

0.656

3. Table of Expected Loss Ranges

[2013 Table](#)

Excess Loss Factors  
(Applicable to New and Renewal Policies)

(Not applicable - ALAE is included in deductible)

**Excess Loss Factors**  
**With Allocated Expense Included in Per Accident Retention**  
**(Applicable to New and Renewal Policies)**

Per Accident Limitation	Hazard Groups						
	A	B	C	D	E	F	G
\$10,000	54.0%	56.5%	57.3%	57.9%	59.8%	60.0%	61.5%
\$15,000	51.1%	54.0%	55.0%	55.8%	58.0%	58.3%	60.1%
\$20,000	48.7%	51.9%	52.9%	53.9%	56.4%	57.0%	58.9%
\$25,000	46.7%	50.1%	51.3%	52.4%	55.0%	55.7%	57.8%
\$30,000	44.8%	48.4%	49.7%	51.0%	53.7%	54.6%	56.8%
\$35,000	43.3%	46.9%	48.3%	49.7%	52.5%	53.5%	55.9%
\$40,000	41.9%	45.6%	47.0%	48.5%	51.5%	52.6%	55.1%
\$50,000	39.5%	43.3%	44.8%	46.5%	49.6%	50.8%	53.5%
\$75,000	34.9%	38.8%	40.5%	42.5%	45.8%	47.4%	50.4%
\$100,000	31.6%	35.5%	37.4%	39.5%	42.9%	44.7%	47.9%
\$125,000	29.0%	33.0%	34.9%	37.1%	40.6%	42.4%	45.8%
\$150,000	26.9%	30.9%	32.8%	35.0%	38.6%	40.6%	44.1%
\$175,000	25.2%	29.1%	31.1%	33.3%	36.9%	39.0%	42.6%
\$200,000	23.8%	27.6%	29.5%	31.9%	35.5%	37.6%	41.2%
\$225,000	22.5%	26.2%	28.3%	30.6%	34.2%	36.3%	40.0%
\$250,000	21.4%	25.0%	27.1%	29.4%	33.0%	35.2%	38.9%
\$275,000	20.4%	24.0%	26.0%	28.3%	31.9%	34.1%	37.9%
\$300,000	19.5%	23.1%	25.1%	27.4%	30.9%	33.1%	37.0%
\$325,000	18.7%	22.2%	24.2%	26.6%	30.1%	32.3%	36.2%
\$350,000	17.9%	21.4%	23.4%	25.7%	29.3%	31.4%	35.3%
\$375,000	17.3%	20.7%	22.7%	25.0%	28.6%	30.7%	34.6%
\$400,000	16.6%	20.0%	22.0%	24.3%	27.8%	30.0%	33.9%
\$425,000	16.1%	19.4%	21.4%	23.7%	27.1%	29.3%	33.2%
\$450,000	15.6%	18.8%	20.8%	23.1%	26.5%	28.7%	32.6%
\$475,000	15.1%	18.3%	20.2%	22.6%	25.9%	28.1%	32.0%
\$500,000	14.6%	17.8%	19.7%	22.0%	25.4%	27.6%	31.4%
\$600,000	13.0%	16.1%	18.0%	20.2%	23.5%	25.6%	29.5%
\$700,000	11.8%	14.7%	16.5%	18.7%	21.9%	24.0%	27.8%
\$800,000	10.8%	13.5%	15.3%	17.4%	20.5%	22.6%	26.4%
\$900,000	9.9%	12.6%	14.3%	16.4%	19.4%	21.4%	25.1%
\$1,000,000	9.2%	11.8%	13.5%	15.4%	18.3%	20.3%	24.0%
\$2,000,000	5.4%	7.1%	8.5%	9.9%	12.3%	13.9%	17.0%
\$3,000,000	3.7%	5.1%	6.1%	7.4%	9.3%	10.6%	13.3%
\$4,000,000	2.8%	3.9%	4.8%	5.9%	7.5%	8.7%	11.0%
\$5,000,000	2.3%	3.2%	3.9%	4.8%	6.2%	7.3%	9.3%
\$6,000,000	1.8%	2.6%	3.2%	4.0%	5.2%	6.2%	8.0%
\$7,000,000	1.5%	2.2%	2.7%	3.5%	4.5%	5.4%	7.1%
\$8,000,000	1.3%	1.9%	2.3%	3.0%	3.9%	4.7%	6.3%
\$9,000,000	1.1%	1.6%	2.0%	2.6%	3.5%	4.2%	5.6%
\$10,000,000	0.9%	1.4%	1.8%	2.3%	3.0%	3.7%	5.0%

**7. Large Deductible Expense Ratios**

a. Fixed Expense Ratio	(E18)	0.125
b. Nonreimbursed Loss Adjustment Expense	(E19)	0.075
c. Fixed Tax and Assessments	(E20)	0.000
d. Variable Expense Ratio	(F22)	0.085
e. Variable Tax and Assessments	(F23)	0.085



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## Supporting Document Schedules

<b>Bypassed - Item:</b>	Consulting Authorization
<b>Bypass Reason:</b>	N/A - filing is being made by company.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Certification (P&C)
<b>Bypass Reason:</b>	N/A
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	N/A
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	N/A
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Filing memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	LD Filing Memorandum NCCI ELPPF.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

WORK FIRST CASUALTY COMPANY  
WORKERS COMPENSATION PROGRAM  
DEDUCTIBLE PROGRAM

Filing Memorandum

Work First Casualty Company is filing to modify its large deductible program with deductibles at \$100,000 or higher. This change will better align the methodology with their fronting company, Benchmark Insurance Company ("BIC"), when the policies are written directly on Work First's paper.

*Method used in Calculation of Deductible Premium*

The filed method will match BIC methodology, and will also be consistent with the majority of the industry. Previously, WF calculated and applied large deductible credits factors to the ground up premium directly. The new methodology will build up the premium beginning with the excess losses (those retained by Work First). This method uses an excess loss and allocated expense factor, fixed expenses, and variable expenses to calculate the deductible premium using the following formula:

Deductible Premium = [ (Expected Excess Losses + Fixed Expense Charge) / (1 – Variable Expense Ratio) ] + TRIPRA

*Source of Excess Loss and Allocated Expense Factors (ELF, or ELAEF)*

The Excess Loss and Allocated Expense Factors are calculated from the published NCCI Excess Loss and Allocated Expense Pure Premium Factors, adjusted for expenses. They are shown on page RR2 of the Company's filing.

*Selection of Expenses (found on page RR3)*

The fixed expense charge, in general, covers general expenses, other acquisition expenses, and nonreimbursed loss adjustment expenses (ULAE or AOE). The variable expense ratio provides for a provision for commission and variable taxes and assessments. The Company's expense history, in addition to state-specific tax and assessment data, were used to estimate the fixed and variable expenses.

I have reviewed the assumptions underlying the company's deductible premium calculations (described in more detail in filing). The assumptions are reasonable and will produce premium that is not inadequate, excessive, nor unfairly discriminatory.



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November 12, 2019